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**R**ailway **E**conomy of the **F**uture.

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## PREFACE.

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The object of the following pamphlet is to induce inquiry and investigation in order to ascertain what policy is best adapted to make our railroads what they should be, the great arteries of circulation for the commerce and industry of the country. The system, under its present variously conducted and divided plans of management and mismanagement, has attained to a degree of development which renders its proper maintenance a national necessity, and recent events show that in various quarters, and especially in some of the Southern States, it is now in danger of collapsing, if it may not be said to have already done so. The views which I now publish are designed to open up a solution to the question, and to suggest one method at least by which our system of railroads may be effectually maintained with increased convenience to the public and profit to the nation. To what extent the scheme proposed is applicable to individual States depends much, of course, upon their geographical position; but that many of them should adopt some decisive measures upon the subject is a matter too obvious to be discussed.

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## The Railway Economy of the Future.

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The construction and maintenance of railroads, to facilitate internal communication, form one of the principal requirements of commercial enterprise in any country; and in a country where commerce and industry is every day developing itself with such rapid strides, and upon a scale of such magnitude as in this, the necessity of a properly systematized means of intercourse between the centres of trade, and a suitable distribution of its tributary channels, together with a well organized and harmonious system of management, is no less important than the existence of the means of intercourse itself, and cannot be over-estimated.

Within little more than a quarter of a century, our system of inter-communication has undergone a complete revolution; railways have taken the place of common roads, and the cramped and dragging old stage-coach has given place to the commodious "palace car." It is not too much to say, that thousands travel now where twenty travelled in the days of stage coaching. This is indeed a great gain, but what I propose to consider in this paper is, whether the convenience of the public is provided for to anything like the extent that existing circumstances would permit, and also whether the present travel and traffic would not be largely increased, and the value of these modern appliances be enhanced by making the convenience and interest of the public the first consideration in their management.

According to the present system, the railroads are the private property of different companies, who made them as commercial speculations, and over which the Government and the public exercise but very limited control. The special powers granted to railroad companies are, the right to become corporate bodies,

the power to acquire such lands as are requisite for the purpose of constructing and working their lines, and to charge such rates for the conveyance of freight and passengers as they may think proper, and in this respect leaving it entirely at the discretion of those who control them to discriminate in favor of or against any locality.

The plea upon which these powers are granted is always a prominent feature in the preamble and lobbying arguments used in support of a railroad bill. Public utility is represented as the chief object of the enterprise; but, as a general result, the very public that founds, fosters and sustains it, is that which is least served by it in its operative capacity. In State legislation, under which jurisdiction these projects obtain existence, little or no investigation is made into the merits and truthfulness of this plea. Its simple assertion is too often taken as its demonstration, and a charter issues which is often but a bait to catch the unwary, and encumber the industry of the State with liability from which no adequate benefit is derived. The idea seems never to occur that there should be some legislation which would lead upon the projection of a line of railroad to an examination of the project by a competent commission, to determine upon its necessity before powers are granted to carry it into execution; and also to provide for an intelligent inspection of the work of its construction and proper maintenance upon completion. Such a commission it seems to me is indispensable, but its usefulness depends upon its efficiency, and therefore care should be taken that it is composed, not of a set of political "bummers" as form many similar commissions at the present time, and who have no conception of the duties which they affect to perform, but, of men who make the construction of railroads their lifetime study and occupation, and whose reputation as such would be a guaranty of the reliability of their opinions.

It has often been a matter of surprise to me, and especially latterly, that some of our Southern States, which are carrying so heavy a burthen of railroad obligations, do not find some method of exercising a more efficient surveillance in this matter

by imitating the policy of other States in their constitution of boards of public works. The State of Alabama for an instance has endorsed bonds to aid in the construction of railroads since the late war to the amount of thirteen or fourteen millions of dollars, and is committed to the endorsement of at least as much more, but I do not find that her interest is guarded in any degree commensurate with her liability, by representation or direction in the operations of the boards controlling them. Being powerless to avert the disaster of bankruptcy which is now imminent to half a dozen of her newly projected lines, she must accept the evil and seek to remedy it when it comes.

At the present time there are in operation about fifty thousand miles of railroad in the United States, which cost over \$2,000,000,000, or over \$40,000 per mile, nearly double what it might have been built and equipped for upon a cash or healthy financial basis. The returns for this investment have not by any means been such as might have been expected from capital so laid out, and the low prices at which all railroad stock is now quoted shows that investment in such undertakings is not regarded with favor; in fact a glance at the stock lists would justify the conclusion that the entire railroads of the country might be purchased at a very large discount upon the aggregate outlay for their construction.

Had the system of railroads been laid out originally on a comprehensive national plan, we might ere now have had an organization in operation, extending railroad communication and its influence into every part of the land, without having expended one-half the amount already invested in the existing lines. Much of which has been and is still being wasted in the establishment of rivalries and competitions from which the public have reaped but a doubtful and at most a short-lived benefit, while the absorption of capital to sustain them has crippled the remunerative capacity of the whole.

A system of railroads, judiciously planned, provides for a complete inter-communication and spread of population, thereby establishing new centres of commerce and industry for the thorough development of the resources of a country, and when-

ever this is done, the entire object of the organization is attained, the full capacity of the capital employed is utilized, and financial success the more thoroughly insured.

Upon referring to the returns of the two previous years, I find that the nett earnings of one-half of the railroads in the country amount to about 8 per cent., and the other half will average about 3 per cent. on their aggregate outlay; but with the exception of a comparatively few cases this is absorbed by the interest upon their bonded debt, and therefore seldom finds its way, in the form of dividends, in the pockets of the stockholders.

It is obvious that this enormous outlay has not proved beneficial to the stockholders: let us now see if the public in general have gained such advantages as may be considered sufficient to convert the pecuniary loss, that has been sustained by individual subscribers, into a national gain.

There is no doubt that we can travel with a speed, comfort and security, and I might add a cheapness, formerly unknown; but it is equally clear that what has been accomplished in this respect falls very far short of what might be done were the system of railroad management carried out in harmony. The same may be said in regard to the transmission of merchandise. How often is it the case that where companies cannot agree to work together for the public good in the arrangement of their schedules, the traveling community is made the victim of their disagreements; and witness also the studied and combined system to extort local tariffs of freight and passenger rates, a system of imposition as inconsistent as it is antagonistic to the broad development of industry and trade.

These are only a few of the evils the public have to bear in consequence of the mistaken notions of divided interests in the proprietorships of railroads and the false idea that the interests of the stockholders and of the public are at variance.

The desiderata involved, it appears to me, can only be accomplished by uniting all the railroads of the country under one general management, to form either a separate branch of the public service or to be administered by an independent

commission or directory. The interests being national, the management, to be effective, must be national also.

It would then be the duty of the Government to see that the railroad system, which is ostensibly formed as a plan for the advancement of the general industry and commerce of the country, is fitly arranged and efficiently maintained.

For the Government to assume the control of the railroads no money would be needed. It has already been shown that the average nett earnings would form a dividend of  $5\frac{1}{2}$  per cent. upon the aggregate cost, and the Government might issue railroad stock bearing guaranteed interest at 5 per cent. in exchange for that held by stockholders, and which would doubtless be acceptable also in lieu of railroad bonds now in the market. The amount of this stock to be given in exchange for either should be fixed by a competent tribunal, who should base their calculations upon the price of the various stocks through a period which would enable it to arrive at an equitable value. The new stock would be proportionately equal in value to any other Government stock, and railroad stock and bondholders would receive, in return for their fluctuating shares, securities whose value would vary no more than any other form of Government securities.

I think I might safely venture to assume that the amount of this issue, requisite to acquire possession of all the railroads, could not exceed three-fourths of their aggregate cost, and if the returns which are now made are no more than sustained they would be ample to provide for the payment of the interest, as well as to form a surplus fund for the extension of lines throughout the country. But I apprehend that the returns would be largely increased. Indeed, it is quite impossible to foresee to what extent the facilities that could be afforded, and the more efficient organization which could be instituted, would increase the revenue of the Government.

A considerable diminution of the average passenger and freight tariff per mile might, I think, be applied advantageously. A minimum rate could thus be attained and universally charged. Speed classes could be organized in freight as well as in pas-

senger trains, and made to operate in connection with each other with far greater precision than is possible under the present system. A slow, fast and express freight system could be arranged, and express monopolies suppressed to the very great convenience of the public and benefit to the general business of the roads. The public would speedily reap the advantages of a complete and harmonious system of management in the augmented facility, comfort and economy of transportation which would ensue, while the general cost of operating might be greatly reduced. Thus trade would be benefitted enormously, and the effect upon the money market, of at once converting \$1,500,000,000 of sunk capital into convertible securities, would be a stimulus of immense value to the country.

The only objection which I can see that is likely to be presented to this scheme is that which opposes the extension of the civil service and increase of Government patronage, on the ground of party corruption. But this is obviously a partisan view of it, and does not attack the practicability or merit of the proposition. It must be understood that it is based upon an honest and judicious administration of the Government, for without this the Government is itself a failure.

ENGINEER.

ALABAMA, January 1, 1872.



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